

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

March 23, 2011

PUBLIC SESSION

A monthly meeting of the Board of Directors (the "Board") of the Small Business Loan Fund Corporation (the "Corporation") was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on March 23, 2011 at approximately 11:00 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty (Chair), Mr. Richard DeMerchant, Mr. William Parsons and Mr. Thomas Stocker.

The following Director(s) were absent: Ms. Leslie Taito

Also present were: Sean W. Esten, Corporation Administrator, Stacy Farrell, Corporation Staff, Earl F. Queenan, Jr., Corporation Administrator, Susan Morgan, Director of Accounting, J. Michael Saul, Managing Director of Financial Services, and John J. Garrahy, Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

1. Call to Order.

Mr. Fogarty called the meeting to order at 11:05 a.m.

2. Approval of the Minutes of the Meeting Held on February 24, 2011.

The first item to come before the Board was approval of the Public Session Minutes and the Executive Session Minutes of the Board meeting held on February 24, 2011. Upon motion duly made by Mr. Fogarty and seconded by Mr. DeMerchant, the motion to approve the Public Session Minutes and the Executive Session Minutes of the meeting held on February 24, 2011 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Ms. Leslie Taito.

3. Maintain the Executive Minutes of February 24, 2011 Confidential.

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on February 24, 2011. Upon motion duly made by Mr. Fogarty and seconded by Mr. DeMerchant, the motion to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on February 24, 2011 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Ms. Leslie Taito.

4. Report of Cash Position as of February 28, 2011.

Mr. Esten presented the report of Cash Position as of February 28, 2011. Mr. Esten referred to the Memo regarding SBLF Fund Utilization Rate Compliance to additionally address the cash position.

There were no other questions or discussions from the Board.

5. Delinquency Loan Report as of February 28, 2011.

Mr. Esten presented the Delinquency Loan Report as of February 28, 2011 and advised the Board as to the current status in regards to collecting payments. Mr. Esten discussed the collection report and advised the Board as to the status of the loans with Subsolve USA, Inc., Modulus Furniture, Crisloid, and Cutler Mills. Additionally, Mr. Saul advised the board that going forward Mr. Steven Noack would be handling the responsibility of pursuing payment from delinquent borrowers and updating the Board accordingly. Mr. Saul indicated that Problem Loan Reports, a report similar to that of a bank collection document, was in the process of being drafted for each delinquent loan. Once the process is drafted and the reports complete, Ms. Farrell indicated the Board would receive a memo regarding the updated procedure and document. Mr. Saul indicated once all delinquent loans were reviewed, staff would be in a better position to establish which of these loans would be charged off. It is anticipated that charge offs would be ready for discussion at the April meeting of the Board.

There were no other questions or discussions from the Board.

6. Employment Reporting process and tracking

Mr. Fogarty questioned whether the Board had any questions in regards to the employment reporting process and tracking Memorandum which was provided to the Board. Mr. Stocker questioned whether the tracking report could be provided with each Board package going forward. Ms. Farrell indicated it could be provided if the Board so wished. Mr. Saul advised that in addition to tracking employment for this program, staff was working on a systematic way to track employment across all programs. Mr. Parsons asked if there were any penalties implemented should the borrower not meet their anticipated employment goals which they indicated during the application process. Ms. Farrell advised that there were not, however the act of not reporting employment figures when requested gave cause for the default rate to be imposed until such time the information is provided. Ms. Farrell indicated that in speaking with current borrowers there was a concern on their part if jobs had been lost. Once it was clarified that penalties would not be imposed due to job loss or unfavorable figures, the information became easier to obtain. Mr. DeMerchant inquired as to what the default rate would be for those which did not comply. Mr. Esten indicated that the default rate would be a 4% increase to the loan's current rate. The rate would remain in effect until such time that the employment information was provided. The rate would then be reduced to its original figure upon receipt of the information requested.

There were no other questions or discussions from the Board.

7. SBLF Fund Utilization Rate Compliance

Mr. Fogarty inquired whether there were any questions in regards to the SBLF Fund Utilization Rate Compliance Memorandum which was provided. Mr. DeMerchant asked if full utilization of the fund would be possible with all the applicants in the current pipeline report. Mr. Esten confirmed that should all prospective applicants be approved it is anticipated the fund would be in compliance by the next reporting cycle, barring the occurrence of numerous loans being paid off. Mr. Saul added that an aggressive approach to marketing the program would aid the utilization of funds and help keep it in compliance. Mr. Saul indicated that staff is currently working to secure dates to present the finance programs to groups such as local CPA's, banks, and others which have direct contact with business owners seeking financing. Mr. Fogarty added that the Board also shared in the responsibility of appropriately marketing the program to eligible applicants. Mr. Fogarty suggested the need for a handout with the parameters of the program clearly laid out to aid the Board in marketing. Ms. Farrell agreed and stated staff would work toward providing something to that effect at the April meeting.

There were no other questions or discussions from the Board.

8. Other Business.

The staff confirmed that there were no other matters to be discussed during this portion of the public meeting.

9. Executive Session

Mr. Fogarty suggested that the Board move into executive session. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Parsons, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Ms. Taito.

Public session concluded and executive session began at 11:23 a.m.

10. Return to Public Session

Upon a motion duly made by Mr. Stocker and seconded by Mr. DeMerchant, the motion to conclude executive session and return to public session was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, and Mr. Parsons.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Ms. Taito.

Executive session concluded and public session began at 11:41 a.m.

11. Executive Session Vote Ratification

Mr. Fogarty called for ratification of the votes adopted during executive session. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Parsons, the following votes were ratified:

- (a) To reject the request for a \$250,000 loan by Grosca, LLC

The following Directors voted in favor of the foregoing: Mr. Fogarty and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Ms. Taito.

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Mr. DeMerchant and seconded by Ms. Parsons, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Ms. Taito.

The meeting was adjourned at 11:43 a.m.

Respectfully submitted,

/s/ Sean W. Esten
Sean W. Esten, Administrator

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